

Comparative and Absolute Advantage – MCQs

1) 9708/m16/12/Q26

In each country, P and Q, one person can either produce the quantity of X or the quantity of Y shown.

In which case does country P have absolute advantage in the production of Y and country Q have comparative advantage in the production of X?

	country	product X	product Y
A	P	6	7
	Q	6	9
B	P	10	8
	Q	7	9
C	P	12	6
	Q	8	4
D	P	16	15
	Q	14	8

2) 9708/s16/13/Q26

Countries X and Y produce the world supply of computers and wheat. Each country divides its resources equally between the two products and produces the following.

	computers units	wheat units
X	2000	1400
Y	1000	200

How would total output be altered if each country specialised completely in the product in which it has a comparative advantage?

	computers units	wheat units
A	-1000	+1200
B	-1000	+1600
C	+1000	+400
D	+1000	+1600

3) 9708/w16/12/Q26

Country X can produce apples and plums at lower cost than country Y.

Country X can also produce strawberries but it costs more to do so than in country Y.

In fact, country X produces only apples and trades them for plums and strawberries from country Y.

What economic analysis could explain this pattern of trade?

	plums	strawberries
A	absolute advantage country X	absolute advantage country X
B	absolute advantage country Y	comparative advantage country Y
C	comparative advantage country Y	absolute advantage country Y
D	comparative advantage country Y	comparative advantage country X

4) 9708/w16/13/Q26

The table shows different possible outputs of apples and bananas for Country X and Country Y assuming only two goods are produced and all resources are used to their maximum.

	apples	bananas
Country X	100 or 80	
Country Y	50 or 25	

Country Y decides to specialise in the production of the good in which it has a comparative advantage.

Country X decides to use 75% of its resources to produce the good in which it has a comparative advantage and 25% of its resources to produce the other good.

What will be the total output?

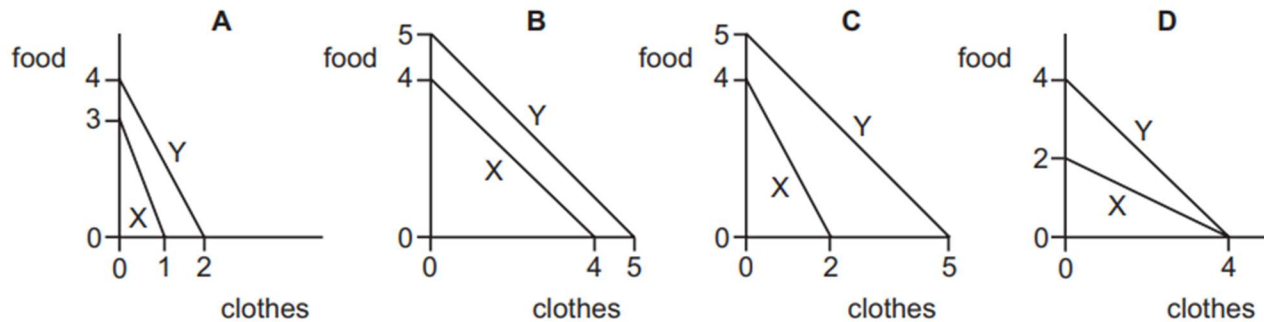
	apples	bananas
A	50	80
B	75	45
C	75	60
D	150	120



5) 9708/s17/11/Q25

Each diagram shows the production possibility curves of two economies, X and Y, which produce food and clothes.

In which diagram would both economies benefit by specialising in the good in which they have comparative advantage and trading at an exchange rate of 1 unit of clothes to 1.5 units of food?



6) 9708/s17/12/Q26

The table shows the ability of two countries, P and Q, to produce two goods, Y and Z.

	production of good Y per person	production of good Z per person
country P	1800	2800
country Q	1500	2000

Which statement is correct?

- A P has an absolute advantage in Y and Q has an absolute advantage in Z.
- B P has an absolute advantage in Z and Q has a comparative advantage in Y.
- C P has a comparative advantage in Y and Q has a comparative advantage in Z.
- D P has a comparative advantage in Z and Q has an absolute advantage in Y.

7) 9708/w17/11/Q26

Country X has a comparative advantage in producing wheat and country Y in producing cars. However, the countries choose not to specialise and trade.

What is a valid reason for this behaviour?

- A The cost of transport is high relative to the opportunity cost differences between the countries.
- B The exchange rate lies within the countries' opportunity cost ratios.
- C There is immobility of factors of production between the countries.
- D Trade is based on absolute rather than comparative advantage.

8) 9708/w17/12/Q26

The table shows the ability of two countries to produce two commodities when they use all of their resources for that product.

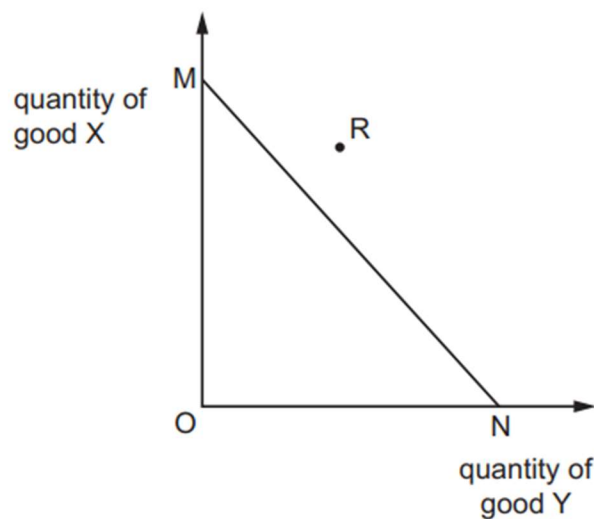
country	maximum output of rice	maximum output of wheat
X	2000	2000
Y	4000	2000

Which statement is correct?

- A Country X has an absolute advantage in wheat.
- B Country Y has an absolute advantage in wheat.
- C Country X has a comparative advantage in wheat.
- D Country Y has a comparative advantage in wheat.

9) 9708/s18/12/Q25

In the diagram, MN is the production possibility curve of a country that has a comparative advantage in the production of good Y.



What might enable the country to consume the quantities of X and Y indicated by point R?

- A a reduction in unemployment
- B increased specialisation in the production of good X
- C increased specialisation in the production of good Y
- D more participation in international trade



10) 9708/w18/11/Q25

The table shows the ability of two countries, P and Q, to produce two goods, Y and Z.

	production of good Y per person	production of good Z per person
country P	1000	1600
country Q	1500	2000

Which statement is correct?

- A P has an absolute advantage in Z and Q has a comparative advantage in Y.
- B P has an absolute advantage in Z and Q has an absolute advantage in Y.
- C P has a comparative advantage in Y and Q has an absolute advantage in Z.
- D P has a comparative advantage in Z and Q has an absolute advantage in Y.

11) 9708/w18/13/Q25

Two countries, Northland and Southland, produce two goods, food and drink. The table shows how many hours each has to use to produce one unit of each product. After specialising according to comparative advantage, they decide to trade.

	food	drink
Northland	10 hours	4 hours
Southland	20 hours	12 hours

Which exchange rate will allow both countries to benefit from trade?

- A 1 unit of food to $\frac{1}{2}$ unit of drink
- B 1 unit of food to 1 unit of drink
- C 1 unit of food to 2 units of drink
- D 1 unit of food to 3 units of drink



12) 9708/m19/12/Q22

Countries M and N produce the world supply of machines and textiles. The table shows what each country produces when it divides its resources equally between the two products.

	machines	textiles
country M	1000	500
country N	900	300
total	1900	800

What should happen according to the principle of comparative advantage?

- A Country M should produce both machines and textiles.
- B Country M should specialise in the production of machines, country N should specialise in production of textiles.
- C Country M should specialise in the production of textiles, country N should specialise in production of machines.
- D Country N should produce both machines and textiles.

13) 9708/m19/12/Q26

Which type of import control allows a country to develop a potential comparative advantage in a particular good?

- A a quota that protects jobs in a depressed region
- B a short-term tariff that protects an infant industry
- C a tariff that improves an industry's terms of trade
- D an embargo on goods with negative externalities

14) 9708/w19/11/Q21

The table shows the amount of good X or the amount of good Y that can be produced by country R and country T if each uses all of their resources.

	output of good X	output of good Y
country R	80	100
country T	20	80

What can be concluded from the table?

- A Country R has an absolute advantage in producing good Y and a comparative advantage in producing good X.
- B Country R has an absolute advantage in producing good X and a comparative advantage in producing good Y.
- C Country T has an absolute advantage in producing good X and a comparative advantage in producing good Y.
- D Country T has an absolute advantage in producing good Y and a comparative advantage in producing good X.

15) 9708/w19/12/Q23

The table indicates the factor inputs required to produce wheat and cars in countries X and Y.

	units of factor inputs to produce one tonne of wheat	units of factor inputs to produce one car
country X	4	2
country Y	8	6

What makes it possible for both countries to benefit from trade?

- A Country X has an absolute advantage in wheat and car production.
- B Country Y has an absolute advantage in wheat and car production.
- C Country Y has a comparative advantage in wheat production.
- D Opportunity cost of wheat and car production is the same between countries.

16) 9708/w20/11/Q20

The table shows the output of rice and cotton for countries X and Y.

	units of output of rice per year	units of output of cotton per year
country X	5000	5000
country Y	4000	2000

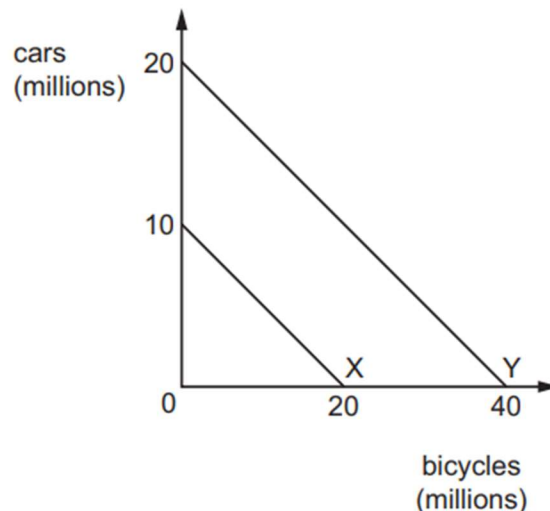
Each country divides its resources equally between the production of rice and cotton.

Based upon the law of comparative advantage, which statement is correct?

- A Country X has the higher opportunity cost in producing cotton.
- B Country Y has the lower opportunity cost in producing rice.
- C Country X should produce both goods as the opportunity cost is the same.
- D Country Y should produce both goods as it has an absolute advantage in both.

17) 9708/w20/12/Q23

The diagram shows the production possibility curves for two economies using all resources. Country X can produce 10 million cars or 20 million bicycles and country Y can produce 20 million cars or 40 million bicycles.



Which statement is correct about country X and country Y according to the theory of comparative advantage?

- A Country X and country Y would not gain from free trade.
- B Country X has a lower opportunity cost ratio in producing cars and bicycles than country Y.
- C Country X has an absolute advantage over country Y in the production of both goods.
- D Country Y will have a faster rate of economic growth than country X.



18) 9708/w20/13/Q20

In which circumstances will country X have a comparative advantage in the production of rice over country Y?

- A** when X has lower opportunity costs in producing rice than Y
- B** when X is in a customs union and Y is outside that union
- C** when X uses dollars for trading and Y uses a different currency
- D** when X uses more units of labour than Y to produce rice

19) 9708/s21/12/Q24

Two statements are shown.

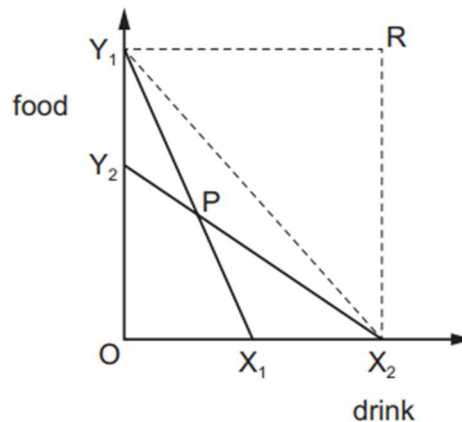
- 1 A country can produce a good at a lower opportunity cost than another country.
- 2 A country can produce a greater quantity of a good for the same quantity of inputs than another country.

What do these two statements describe?

	1	2
A	absolute advantage	comparative advantage
B	absolute advantage	the terms of trade
C	comparative advantage	absolute advantage
D	the terms of trade	comparative advantage

20) 9708/w21/11/Q4

The diagram shows the production possibility curves of two economies, Northland (Y_1-X_1) and Southland (Y_2-X_2).



Both economies specialise based on the theory of comparative advantage and trade with one another.

What can be concluded from the diagram?

- A Both economies face increasing opportunity costs.
- B Point P represents the final equilibrium outcome.
- C Point R shows the total possible combined production of food and drink.
- D All points on Y_1-X_2 are only attainable through trade.

21) 9708/w21/11/Q23

Country X and country Y both produce rice and tables. Half of their resources are used to produce rice and the other half to produce tables. The resulting output of each product is given in the table shown.

country	rice	tables
X	150	100
Y	100	50

What can be concluded from the table?

- A Country X has a comparative advantage in the production of both goods.
- B Country X has a comparative advantage in the production of rice.
- C Country Y has a comparative advantage in the production of both goods.
- D Country Y has a comparative advantage in the production of rice.



22) 9708/w21/12/Q25

The table shows the number of biscuits and cakes that can be produced by four workers in an hour.

	Laura	Mo	Nathan	Omar
biscuits	6	10	13	8
cakes	3	10	12	16

Who has the greatest comparative advantage in producing biscuits?

- A Laura
- B Mo
- C Nathan
- D Omar

23) 9708/w21/13/Q19

According to the theory of comparative advantage, what makes trade beneficial between two countries?

- A Each country has different goods to sell and different tastes.
- B Each country has different opportunity costs of production.
- C One country has the absolute advantage in producing both goods.
- D The prices of goods are different between each country.

24) 9708/m22/12/Q27

Two countries, X and Y, produce food and drink. The table shows how many hours it takes them to produce one unit of each.

	food	drink
X	10	2
Y	20	12

What will be the result if country Y doubles its productivity in the output of drink and both countries produce only one good according to comparative advantage?

- A X will continue to produce drink.
- B Y will produce drink instead of food.
- C World drink production will rise.
- D World food production will fall.



25) 9708/w22/12/Q25

From the same quantity of factors of production, country X and country Y each produce the following units of output.

country	sugar	textiles
X	30	20
Y	40	10

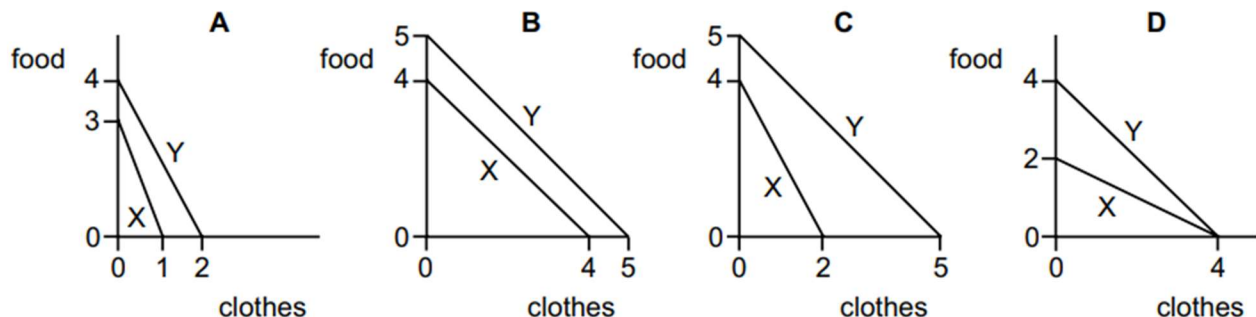
Which statement is correct?

- A** Country X has absolute advantage in the production of both goods.
- B** Country X has comparative advantage in the production of sugar.
- C** Country Y has absolute advantage in the production of textiles.
- D** Country Y has comparative advantage in the production of sugar.

26) 9708/SP/01/Q27

Each diagram shows the production possibility curves (PPCs) of two economies, X and Y, which produce food and clothes.

In which diagram would both economies benefit by specialising in the good in which they have comparative advantage and trading at an exchange rate of 1 unit of clothes to 1.5 units of food?



27) 9708/s23/11/Q15

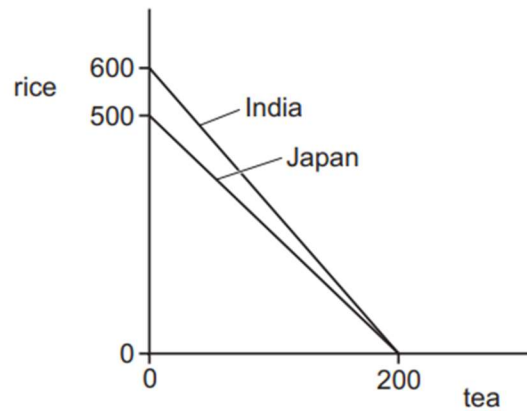
Which statement correctly describes absolute advantage?

- A** It is when a country has a higher opportunity cost in producing a good than another country.
- B** It is when a country has a lower wage cost in producing a good than another country.
- C** It is when the relative prices of exports of a country are greater than the relative prices of its imports.
- D** It is when a country's output of a good is greater per unit of resource than another country.



28) 9708/s23/11/Q23

The diagram shows production possibility curves for two countries, India and Japan.



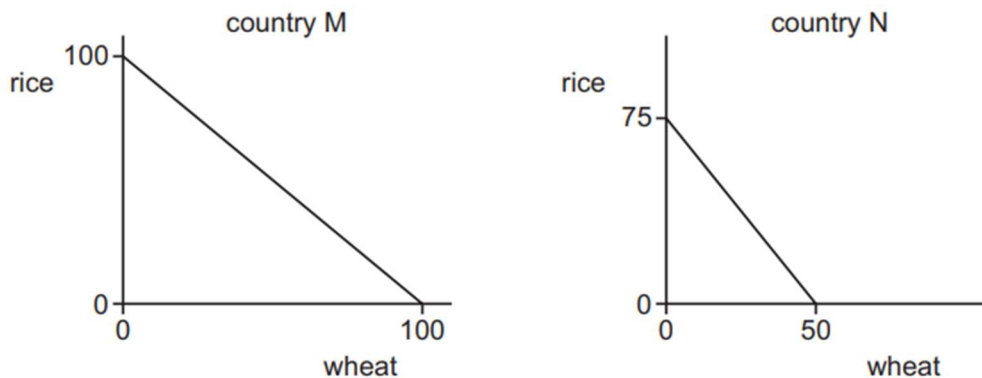
Which combination of outputs would be achieved if each country specialised in the product in which it has a comparative advantage?

	rice	tea
A	600	200
B	600	500
C	1200	200
D	1200	1000



29) 9708/s23/12/Q26

The world consists of two countries, M and N. The graphs show their production possibilities for wheat and rice.



Countries M and N operate on their production possibility curves and, before specialisation, country M produces 60 units of wheat and country N produces 30 units of wheat.

What will be the change in the world output of **rice** if both countries decide to specialise according to comparative advantage?

- A It will fall by 5 units.
- B It will fall by 30 units.
- C It will rise by 5 units.
- D It will rise by 30 units.

30) 9708/w23/13/Q24

Country R and country S are going to trade 1 unit of product X for $\frac{1}{2}$ unit of product Y.

With a given amount of resources:

- country R can produce either 30 units of product X or 50 units of product Y
- country S can produce either 20 units of product X or 25 units of product Y.

Which statement is correct, according to the theory of comparative advantage?

- A Free trade will benefit both R and S.
- B Free trade will benefit neither R nor S.
- C Free trade will benefit R but not S.
- D Free trade will benefit S but not R.



Question	Answer
1	D
2	A
3	C
4	C
5	C
6	B
7	A
8	C
9	D
10	D
11	C
12	C
13	B
14	A
15	C
16	B
17	A
18	A
19	C
20	C
21	D
22	A
23	B
24	A
25	D
26	C
27	D
28	A
29	C
30	C